

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

August 14, 2008

Members present:

WARREN WHITNEY, Chairperson, VSEA member (term expiring September, 2008)
JEB SPAULDING, Vice-Chairperson, VT State Treasurer – via the telephone
KEVIN GAFFNEY, VSEA member (term expiring September 2009)
SUE ZELLER, representing Commissioner of Finance & Management JAMES REARDON
DAVID HERLIHY, Commissioner of Human Resources
ROGER DUMAS, Vermont Retired State Employees' Assoc. (term expiring September, 2009)
KAJ SAMSOM, VSEA Alternate, joined the meeting for the last few items

Members absent:

ROBERT HOOPER, VSEA member (term expiring September 2008)
DICK JOHANNESSEN, Governor's Delegate

Also attending:

Cynthia Webster, Director of Retirement Policy and Outreach
Perry Christie, Brent Neese, Karl Kroner and Chip Sanville, Great West Retirement Services
David Driscoll, Buck Consultants

At 8:31 a.m., Chairperson Whitney called to order the Thursday, August 14, 2008, meeting held in the Treasurer's Conference Room, 109 State Street, Montpelier, Vermont.

ITEM 1: Approve the minutes of:

- **July 10, 2008 meeting**

On a motion by Mr. Dumas seconded by Mr. Herlihy, the Board unanimously voted to approve the minutes of July 10, 2008, as submitted.

The Board agreed to take the agenda items out of order.

ITEM 2: Discuss/Act on Disability retirements for:

- **Christine Bilbry**
- **Norman Blodgett**

On a motion by Mr. Herlihy seconded by Mr. Dumas, the Board unanimously voted to approve the disability retirements without review for Christine Bilbry and Norman Blodgett, as recommended by the Medical Review Board.

ITEM 3: Discuss/Act on §457 Emergency Withdrawal Requests for:

- **Brad Carriere**
- **Peter Letourneau**

On a motion by Mr. Dumas seconded by Mr. Herlihy, the Board unanimously voted to

move into executive session at 8:44 a.m. pursuant to Title 1, § 313 to discuss medical and financial records. The Board invited Mrs. Webster to join them. They moved out of executive session at 9:50 a.m.

On a motion by Mr. Dumas seconded by Mr. Spaulding, the Board unanimously voted to approve the §457 emergency withdrawal request for Brad Carriere, as recommended by Great West Retirement Services.

On a motion by Mr. Dumas seconded by Mr. Gaffney, the Board unanimously voted to approve the §457 emergency withdrawal request for Peter Letourneau, as recommended by Great West Retirement Services.

ITEM 4: §457 Plan Report Q2/08

Karl Kroner provided an update of the 457 Plan activities for the quarter ending June 30, 2008. Plan assets totaled \$243.41 million, slightly down from \$243.44 million for the quarter ending March 31, 2008. Contributions for the quarter totaled \$4.44 million, while distributions and net investment losses were \$2.31 million and \$2.16 million respectively. There were a total of 6,506 Plan participants at June 30, 2008.

Mr. Kroner also provided a quick review of the Single Deposit Investment Account (SDIA) activity for the quarter ending June 30, 2008. Total assets increased slightly over the last quarter, totaling \$86.91 million as compared to \$86.71 million at March 31, 2008. Distribution for the quarter totaled \$.98 million, while the net investment gain was \$1.18 million. There were 2,213 participants in the SDIA plan on June 30, 2008.

ITEM 5: Review of §457 Plan Fund Line Up

This item was deferred until a later meeting.

ITEM 6: Update on 403(b) Plan for VSTRS

The Board was advised the Teachers' Retirement System (TRS) Board is negotiating with Great West to be the Third Party Administrator for their new state-wide 403(b) investment program. The Board reviewed the investment fund line-up that had been selected by the TRS Board, which will be coupled with the Realty Investment Option and an optional Brokerage Window.

Perry Christie stated Great West is adding a third representative to work on the new 403(b) investment program. Mr. Christie presented two different service models for consideration by the ERS and TRS Boards. The first would allow the new representative to work exclusively with the 403(b) investment program, while the existing two representatives would continue to work exclusively with the 457 Plan. The second option would be to train all three Great West representatives to work with both programs. This option would promote greater exposure to municipalities and school districts, while reducing the amount of "down" time spent driving throughout Vermont.

On motion by Mr. Spaulding seconded by Mr. Gaffney, it was unanimously voted to approve the model where all three Great West representatives work with both programs along with existing office staff located in Montpelier.

The Board continued to discuss potential benefits of combining resources with Great West acting as Third Party Administrator for both the 457 and 403(b) programs. Brent Neese confirmed that the 457 contract would not need to be re-opened or amended at this time, but it might be desirable to have both the 457 and 403(b) contracts on the same renewal timeframe in the future. Mr. Christie pointed out that although the funds in each program are non-competing funds, complimentary funds, the 403(b) Vanguard Indexed Funds are institutional funds, and therefore the combined aggregate amounts when they reach certain breakpoints will likely benefit both plans.

On motion of Ms. Zeller seconded by Mr. Dumas, it was unanimously voted to request the Treasurer's staff to explore the cost impact to add a Reality Investment Option, review the investment fund line-up and seek a contract extension for the 457 Plan for discussion at a future monthly meeting.

Kaj Samsom joined the meeting as a voting member

ITEM 7: Discuss/Act on Amended Retirement Factors

David Driscoll joined the meeting to explain how the various factors presented to the Board for approval were developed and validated.

On a motion by Mr. Dumas seconded by Mr. Spaulding, the Board, pursuant to the motion passed by the Board on September 13, 2007 (Item 5) related to actuarial assumptions for benefit determination, unanimously voted to accept the resulting factors from those assumptions that were generated by the Levi, Ray & Shoup, Inc. Pension Gold PE Retirement Solution System, as validated by Buck Consultants and presented to the Board on August 14, 2008, to be effective for benefits payments made after January 1, 2009. (Exhibit A)

On a motion by Mr. Dumas seconded by Mr. Spaulding, the Board, pursuant to the motion passed by the Board on September 13, 2007 (Item 5) related to actuarial assumptions for benefit determination, unanimously voted to accept the resulting factors for service purchase, conversion, DB to DC rollover and level funding from those assumptions that were generated by Buck Consultants and presented to the Board on August 14, 2008, to be effective for benefit payments made after September 1, 2008. (Exhibit B)

ITEM 8: Discuss/Act on Premium Reduction Factors

On a motion by Mr. Gaffney seconded by Mr. Dumas, the Board unanimously voted to approve the Premium Reduction Factors (PRO), developed in November of 2006 as presented, and to allow them to remain unchanged.

ITEM 9: Any Other Retirement Business to Come Before the Board

Mr. Spaulding reported that Steve Rauh had been elected as Chair of the Vermont Pension Investment Committee, and he (Jeb Spaulding) had been elected as Vice-Chair.

ITEM 10: Adjournment

On a motion by Mr. Dumas seconded by Mr. Gaffney, the Board unanimously voted to adjourn at 11:45 a.m.

Respectfully submitted,

Cynthia Webster, Secretary to the Board

Next Meeting Dates:

The next scheduled VSERS *conference call* meeting is September 11, 2008.

NOTE: Board will be polled for agreement to meet in-house on September 11, 2008 to discuss 457 Plan options.